

Message Text

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11

ACTION AID-59

INFO OCT-01 EA-11 ISO-00 EB-11 L-03 IGA-02 HUD-02 SSO-00

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FM AMEMBASSY SEOUL

TO SECSTATE WASHDC IMMEDIATE 3080

UNCLAS SEOUL 2000

E.O. 11652: N/A

SUBJ: SECOND HOUSING GUARANTY PROGRAM

REF: A) SEOUL 1749

B) LETTER, RIZK/GARDNER, MARCH 20 W/LETTER
LEE/GARDNER, MARCH 15.

1. KHC WAS INFORMED BY ITS WASHINGTON ATTORNEY (DUNCAN CAMERON) THAT AID/W AUTHORIZATION NEW \$20 MILLION HG PROGRAM BEING WITHHELD PENDING RESOLUTION OBJECTION RAISED BY MEMBER U.S. TREASURY ON DEVELOPMENT LOAN COMMITTEE. UNDERSTAND REASONS GIVEN FOR U.S. TREASURY'S OBJECTION ALMOST COMPARABLE THOSE RAISED BY OMB REPRESENTATIVE ON ASIA BUREAU HOUSING GUARANTY REVIEW COMMITTEE (HGRC) MEETING HELD JANUARY 16, 1974, AS RESULT OF WHICH COMMITTEE GAVE APPROVAL TO SER/H PROCEED WITH NEGOTIATIONS WITH ROKG FOR DEVELOPMENT FEASIBILITY SECOND \$20 MILLION HIG PROGRAM FOR KOREA.

2. BASED ON HGRC RECOMMENDATION THAT KOREAN TASK FORCE BE ESTABLISHED UNDER AEGIS ROKG MINISTRY OF CONSTRUCTION FOR PREPARATION NATIONAL HOUSING POLICY AND APPROPRIATE NATIONAL HOUSING PLAN, THIS WAS ACCOMPLISHED FOLLOWING DON GARDNER'S VISIT TO KOREA EARLY FEBRUARY THIS YEAR.

3. IN LINE WITH ABOVE, MOC ON MARCH 15 ADDRESSED LETTER
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TO GARDNER ADVISING FORMATION TASK FORCE COMMITTEE AND

SUBMITTED WORK PLAN AND TIME TABLE FOR PREPARING NATIONAL HOUSING POLICY FOR KOREA, SEE REFS A AND B. MEANTIME BASED ON HGRC APPROVAL IN PRINCIPAL SECOND HIG PROGRAM AND ROKG COMPLIANCE WITH ITS RECOMMENDATIONS ON CREATION TASK FORCE FOR DEVELOPMENT NATIONAL HOUSING PLAN AND POLICY FOR KOREA KHC HAS AUTHORIZED ITS WASHINGTON ATTORNEY DUNCAN CAMERON TO NEGOTIATE COMMITMENT LETTERS WITH FEDERAL HOME LOAN BANK OF NEW YORK AND BOSTON TO BORROW \$20 MILLION MORTGAGE FUNDS AT RATE 8 QUARTER PER CENT ANNUM. UNDERSTAND BOTH COMMITMENTS IN THESE LETTERS ARE CONTINGENT UPON AID/W ISSUANCE LETTER OF ADVICE AUTHORIZING \$20 MILLION HG PROGRAM AND WILL EXPIRE FRIDAY, MARCH 29, 1974. KHC ALSO INFORMED US THAT IN EVENT AID/W AUTHORIZATION LETTER NOT ISSUED BY MARCH 29, BOTH FEDERAL HOME LOAN BANKS WILL INSIST ON APPLYING HIGHER PREVAILING INTEREST RATE OF 9-3/4PCT P.A. WHICH KHC FINDS PROHIBITIVE WITH RESPECT TO LOCAL ARRANGEMENTS ALREADY UNDERTAKEN. THESE ARRANGEMENTS INCLUDE KHC ACTION IN PROCEEDING WITH BUYING REQUIRED LAND FOR SECOND HG PROJECT IN SEOUL, PUSAN, TAEGU, AND DAEJON AND NEGOTIATING WITH LOCAL GOVERNMENTS PURCHASE LAND IN MASAN, KWANGJU, INCHON AND MOCKPO. WIDE PUBLICITY HAS BEEN GIVEN IN LOCAL NEWS PAPERS OF KHC SECOND AID HOUSING GUARANTY PROJECT WHICH SINCE FIRST AID HG PROJECT HAS WON MUCH POPULAR SUPPORT BY LOW INCOME FAMILIES PARTICULARLY, SINCE THIS SECOND HG PROGRAM WILL ENTAIL CONSTRUCTION 3,700 SMALLER APARTMENT UNITS OF THIRTEEN AND FIFTEEN PYONGS.

4. IT IS RECOGNIZED THAT THE FOREGOING ACTION WAS TAKEN BY ROKG AND KHC AT THEIR OWN RISK IN ABSENCE OF AID LETTER OF ADVICE. HOWEVER, OUR REVIEW INDICATES THEY ACTED IN GOOD FAITH IN ANTICIPATING FAVORABLE APPROVAL ACTION AND ISSUANCE OF LETTER IN MARCH. IN CONSIDERATION OF THIS FACT, THE FAVORABLE IMPACT AND MOMENTUM ALREADY ACHIEVED UNDER THE PROJECT AND ITS IMPORTANCE IN THE FUTURE, THE EMBASSY URGES ISSUANCE OF LETTER OF ADVICE NOT LATER THAN MARCH 29.
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